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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 25, 2001

Ex Parte Communication

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: ET Docket No. 95-18/*Allocation of 2 GHz for MSS*

Dear Ms. Salas:

In the Petition for Partial Reconsideration filed by the National Association of Broadcasters (NAB) and the Association for Maximum Service Television, Inc. (MSTV) in this proceeding, we told the Commission it "should recognize that, if demand for MSS does not materialize or is less than the Commission expected when it allocated 35 MHz for that service, BAS operations may be left in limbo." Petition for Partial Reconsideration at 6-7. Accordingly, we asked the Commission to require relocation of all BAS operations during Phase I and elimination of the sunset date or tying it to the commencement of negotiations for Phase II spectrum.

In support of this argument, we pointed out that two of the three early MSS providers were already in bankruptcy, and that there were press reports of less than expected demand for the third – Globalstar. This trend has continued, with an announcement from Globalstar last week that it was halting all debt repayments indefinitely. As the attached article from *The Wall Street Journal* indicates: "Despite a series of price cuts, trial offers and other concessions, Globalstar has only about 35,000 subscribers. That compares with the approximately one million users company officials previously indicated would be necessary to break even."

Obviously, the Commission cannot be expected to predict whether any particular MSS licensee will succeed or fail. The fact that all three initial MSS licensees have experienced crippling financial reverses and demand that is only a small fraction of the amount needed to break even, however, indicates that there is a substantial risk that the roll-out of MSS services

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will be slower than the Commission anticipated or may not fully occur at all. The Commission should ensure that incumbent BAS operators, who use this spectrum to provide vital news and information to the public, not be left with only partially relocated facilities or having to bear the burden of relocation themselves.

The Commission, therefore, should require MSS licensees to relocate all stations as part of Phase I and ensure that the sunset date will not leave many broadcasters facing a requirement to relocate but without compensation from new spectrum users.

Respectfully submitted,

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Attachment

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Globalstar Halts Debt Repayment, Hires Bank to Pursue Alternatives

By ANDY PASZTOR
Staff Reporter of THE WALL STREET JOURNAL

Globalstar Telecommunications LP, suffering from anemic revenue and flip-flops in its marketing strategy, indefinitely halted all debt repayments and said it hired an investment bank to pursue "strategic alternatives."

The move, which is intended to conserve cash and allow the concern to operate into next year, will force some of Globalstar's equity partners to write down the value of their investments in the company. At the same time, the partnership, made up of several large telecommunications firms and equipment suppliers including **Loral Space & Communications** Ltd., will seek to approve still another business plan to rescue the global satellite-telephone venture. Loral owns 39% of Globalstar, which has spent more than $4.3 billion developing and deploying its system.

For months, Globalstar's chairman, Bernard Schwartz, had assured investors that there was ample cash to gradually build up its business through at least next summer. But yesterday's surprise default announcement suggests that Mr. Schwartz along with Globalstar's partners believe that any rebound will take longer and be more expensive to carry out than previously suggested.

The default, halting payments on $3 billion of debt, will likely prompt a prolonged tussle with bondholders over Globalstar's fate, in turn dimming the outlook for other already-battered satellite stocks. The sector has been hard hit during the past two years by the much-publicized collapse of a pair of earlier satellite-telephone systems—then called Iridium LLC and ICO Global Communications Ltd.—both of which faced marketing and financial hurdles similar to those now confronting Globalstar.

While announcing the hiring of New York's **Blackstone Group** LP to help in "restructuring Globalstar's debt" and in "pursuing other strategic alternatives," Mr. Schwartz maintained that the bid to conserve cash wasn't a prelude to a potential filing for bankruptcy-court protection. "I'm not contemplating bankruptcy," Mr. Schwartz said in a brief interview, adding that the primary goal is to assure "that we have enough time and resources to demonstrate" the project's viability and help service providers continue to seek additional customers. Mr. Schwartz said Globalstar currently has adequate financing to pay salaries and meet other routine obligations.

Despite a series of price cuts, trial offers and other concessions, Globalstar has only about 35,000 subscribers. That compares with the approximately one million users company officials previously indicated would be necessary to break even. Rollout has been slower and rockier that expected, with important countries such as China and Russia still lacking full-fledged service. After years of developing plans to provide voice services primarily to individual mobile-telephone customers, the San Jose, Calif., concern three months ago switched its focus to transmitting data for government and large corporate clients.

Many investors and analysts, believing the latest moves markedly increase the likelihood of Globalstar's eventually seeking bankruptcy protection, pushed down the company's shares by an additional 45%, or 86 cents, to $1.05 as of 4 p.m. on the Nasdaq Stock Market. Such a filing has become "very, very likely," particularly since Globalstar "will find it virtually impossible to raise [additional] financing," according to Jeremy Rose, a principal in Communication Systems Ltd., a London satellite-consulting firm.

Loral shares surged 25 cents, or 49%, to $5.31 as of 4 p.m. in New York Stock Exchange composite trading, with investors buoyed by further indications that the company won't unilaterally commit additional resources to Globalstar.

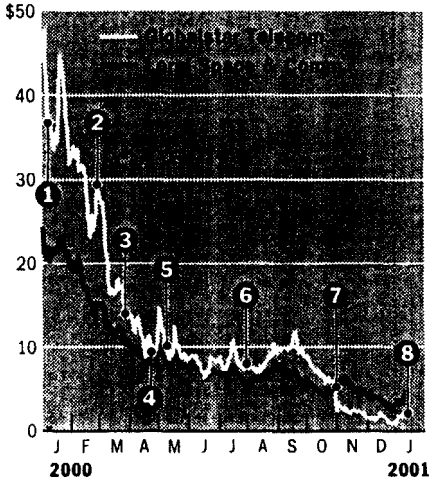
Globalstar hopes to save almost $400 million through the end of the year, and more important, allow its group of blue-chip international partners to continue deploying telephones and rolling out service without having to make any additional investments of their own into 2002. The partners also include **Qualcomm** Inc., France's **Alcatel** SA and **Vodafone Group** PLC of Britain.

New York-based Loral, which has invested about $1.3 billion since the project's inception, will suffer the biggest hit from the default. Mr. Schwartz, who also serves as Loral's chairman and chief executive, disclosed that the suspension of debt repayment will reduce Loral's overall receipts by about $140 million this year. Moreover, Loral said it intends to take a one-time, noncash charge for the fourth quarter of 2000 to "write down its Globalstar investment ... to an appropriate value." Mr. Schwartz declined to elaborate.

In a separate statement, San Diego-based Qualcomm, which disclosed it has invested about $610 million in Globalstar, said it expects to "incur a small negative impact to earnings" during the current quarter. Chairman Irwin Jacobs said Qualcomm officials see "an expanding market for Globalstar service" and "expect the system to continue to operate into the future."

Gravitational Pull

Daily closing prices of Globalstar Telecommunications and 40% owner Loral Space & Communications.



Source: Baseline

1. **January 2000:** Launches U.S. satellite phone service.
2. **Feb. 28:** Launches $60 million global ad campaign.
3. **March 26:** Citing slow sales, says it will cut prices.
4. **April 21:** Soros fund sells its entire stake in the company.
5. **May 8:** Reports wider-than-expected first-quarter loss; says it won't meet annual revenue projections.
6. **July 30:** Says it's failed to repay $250 million in borrowings.
7. **Oct. 30:** Reports wider-than-expected third-quarter loss on launch, distribution, subscription problems.
8. **Jan. 16, 2001:** Suspends debt payments indefinitely.